Section 619 of the Dodd-Frank Act, commonly referred to as the Volcker Rule, generally prohibits banking entities from engaging in proprietary trading and from acquiring or retaining ownership interests in, sponsoring, or having certain relationships with a hedge fund or private equity fund.

In January 2014, the FDIC, FRB, OCC, SEC, and CFTC issued a final rule to implement Section 619.

Since then, the covered fund provisions of the Volcker Rule have generated considerable market uncertainty and hindered capital formation, particularly for small businesses in areas where financing may not be readily available.

The FDIC, FRB, OCC, SEC, and CFTC are proposing to modify and clarify the covered fund provisions of the Volcker Rule to:

- **Facilitate capital formation** by allowing banking entities more flexibility in sponsoring funds that provide loans to companies (e.g., allow investments in qualifying venture capital funds) so banking entities can allocate resources to a more diverse array of long-term investments in a broader range of geographic areas, industries, and sectors than they may be able to access directly.

- **Protect safety and soundness and financial stability** by not allowing banks to engage in any activity that is not currently permissible if conducted on their balance sheets, and limiting the bank’s exposure to potential risks by including protections that restrict a bank’s ability to conduct certain transactions with covered funds.

- **Provide greater clarity and certainty** about what activities are permitted, which will improve supervision and implementation of the Volcker Rule (e.g., clarify the existing foreign public fund exclusion, which is intended to provide consistent treatment between U.S. registered investment companies and their foreign equivalents).

# # #